



# City of Kingsburg

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Michelle Roman  
Mayor

Bruce Blayney  
Mayor Pro Tem

COUNCIL MEMBERS  
Sherman Dix  
Staci Smith  
Laura North

Alexander J. Henderson  
City Manager

## CITY OF KINGSBURG FINANCE COMMITTEE

April 25, 2017

6:30 p.m.

**KINGSBURG CITY COUNCIL CHAMBER  
1401 DRAPER STREET**

1. **Call to order** – Chairman Bruce Blayney
2. **Public Comments** - Any person may directly address the Committee at this time on any item on the agenda, or on any item that is within the subject matter jurisdiction of the Committee. A maximum of five minutes is allowed for each speaker.
3. **Approval of Minutes** –Approve minutes from March 16, 2017 Finance Committee Meeting, as prepared by City Clerk Abigail Palsgaard.
4. **Capital Improvement Budget Review**  
Possible Action(s):
  - a. Presentation by City Manager Alex Henderson
  - b. Committee Discussion
  - c. Action as deemed appropriate
5. **2017/18 Financial Policy Review**  
Possible Action(s):
  - a. Presentation by City Manager Alex Henderson
  - b. Committee Discussion
  - c. Action as deemed appropriate
6. **Other Business**
7. **Adjourn** - to the next regular meeting of the City of Kingsburg Finance Committee.

**Kingsburg Finance Committee  
Regular Meeting Minutes  
March 16, 2017**

**Call to order:** At 6:08pm Council Member Blayney called the meeting to order.

**Members present:** City Manager Alex Henderson, Interim Finance Director Mike Hartman, Council Member Dix (Arrived at 6:13pm) and Council Member Bruce Blayney

**Public Comments:** A citizen entered concerned that the American Flag was twisted in front of City Hall.

**Approval of Minutes** –Approve minutes from February 23, 2017 Finance Committee Meeting, as prepared by City Clerk Abigail Palsgaard. AH, SD ALL except mike

City Manager Henderson made a motion to approve minutes from February 23, 2017 Finance Committee Meeting, as prepared by City Clerk Abigail Palsgaard. The motion was seconded by Council Member Dix. The motion carried by a voice vote of all members except Interim Finance Director Mike Hartman who recused himself due to not working at the City at that time.

**Community Facilities District (CFD) Discussion – New Annexations**

City Manager Alex Henderson presented about the possibility of a Community Facilities District for all of the City's sphere of influence outside of the City Limits. It would become a condition of approval. Committee discussed what the funds can be used for. Council Member Blayney asked about the existing properties that would be annexed in, City Manager Henderson said we could carve them out of the CFD. Interim Finance Director Mike Hartman said the money comes into the CFD account and then the money is moved to the different departments that are occurring costs and we keep accounting for transparency. City Manager Henderson said we already have the ground work done, so the process shouldn't take too long. Spoke about traffic concerns and the Academy Parkway proposal. A motion was made by Council Member Dix to direct staff to work with David Taussig and Associates on a CFD for new annexed in properties within the City's sphere of influence, seconded by City Manager Henderson. The motion carried with a unanimous voice vote.

**CalPERS Analysis Discussion**

City Manager Alex Henderson presented projections for CalPERS for the next 10 years and the rising costs. The Committee discussed prefund costs for pensions down the road and the possibility of hiring a consultant firm to help project costs and help the city plan for the future. The Committee discussed the significant cost from CalPERS coming in the next 5 years and that the city's cost would double. Council Member Dix asked they could provide us with an internal calculator so if we change our numbers without an additional cost. Staff is going to look more into it and bring it back as part of the budget.

**Public Safety Funding**

City Manager Alex Henderson explained the history of it to Interim Finance Director Hartman. Council ultimately decided to take it back to the Finance Committee. The Committee discussed getting support from the groups that would benefit and have them be the promoter including sports and public safety associations. The committee discussed getting 1% in sales tax or maybe both with a lower amount for the CFD. City Manager Henderson said we will look more into this, and get a sports complex committee formed. The Committee would like to keep the momentum going.

Council Member Dix discussed presenting to the hospital board about an indoor sports complex and the possibility of a good partnership.

**Other Business:** None.

**Adjourn** – The meeting was adjourned at 6:58pm to the next regular meeting of the City of Kingsburg Finance Committee.



Meeting Date: 04/25/2017  
Agenda Item: 4.

## FINANCE COMMITTEE MEETING STAFF REPORT

**REPORT TO:** Chairman Blayney & Finance Committee

**REPORT FROM:** Alexander J. Henderson, City Manager; ICMA-CM

**REVIEWED BY:**

**AGENDA ITEM:** Capital Improvement Project Discussion

**ACTION REQUESTED:** ☐ Ordinance ☐ Resolution ☐ Motion ☒ Receive/File

### EXECUTIVE SUMMARY

As part of our 2017-2018 annual budget preparation, the Finance Committee and City Council will have the opportunity to view the capital improvement project (CIP) requests from each of the respective departments. Included in your packet is a breakdown of 2017-2018 requests in summary format. The 2017-2018 requests are listed based upon the priority ranking (and funding available) submitted by each of the Department Heads. In addition, there is a 'future years' layout that provides some planning for items that have also been identified.

Items can be adjusted based upon discussion and preferences of either Council or Department Head priority. Each of the costs associated were submitted by the Department Head, based upon quotes received.

Some items to note:

1. There are currently twenty-eight (28) capital improvement projects proposed for 2017-2018. These projects are funded out of five different sources (GF, Water, Ambulance, Local Transportation, and Measure C).
2. A breakdown of proposed funding sources is provided in the summary. The majority of proposed funding is for infrastructure projects and will be paid out through local transportation funds and Measure C (non-general fund).
3. Public Safety Investment
  - Funding for ambulance (reimbursed through hospital district funds)
  - Continued replacement of outdated PD vehicles
  - Technology replacements for KPD/KFD
4. There is a continued emphasis placed upon improving our infrastructure, including:
  - 21<sup>st</sup> Ave (Shady Lane) Road Repairs (including sidewalk repairs, drainage and lighting improvements).
  - Proposed alley assessment report
  - Water System Improvements
  - Phased sand filter replacement at Crandell Swim Complex (phase II)
5. Economic Development and Quality of Life Improvements
  - Pilot Year of Upper Floor Rehab Program
  - Year of Façade/Alley Grant Program
  - Downtown Banner Replacements

- Funding for parks improvements (including a skate park carry over)
- Funding for sport complex design efforts

In addition, we've included a 2016-2017 CIP status update to provide information related to the projects that were identified in the previous year.

**RECOMMENDED ACTION BY FINANCE COMMITTEE**

1. *Provide input and direction on proposed capital investments for 2017-2018.*

**POLICY ALTERNATIVE(S)**

1. NA

**REASON FOR RECOMMENDATION/KEY METRIC**

1. The allocation of one-time funds and discussion is in line with our fiscal stability initiative.

**FINANCIAL INFORMATION**

**FISCAL IMPACT:**

- |                              |               |
|------------------------------|---------------|
| 1. Is There A Fiscal Impact? | <u>Yes</u>    |
| 2. Is it Currently Budgeted? | <u>NA</u>     |
| 3. If Budgeted, Which Line?  | <u>Varies</u> |

**PRIOR ACTION/REVIEW**

Each year, the City Council adopts capital purchases as part of the annual budget. The attached summary sheet captures each of the requests made by Department Heads, and categorizes them based upon priority. This is part of a 5 year CIP plan that can be adjusted easily each year to modify, replace or continue with purchases during the annual budget process.

**BACKGROUND INFORMATION**

See Executive Summary.

**ATTACHED INFORMATION**

1. 2017-2018 Capital Improvement Request Summary
2. 2016-2017 Capital Improvement Project Status Update



**Capital Improvement Fund 2017-2018**

Department	Type of Request	Item Description	Purpose	Age of Item (Year)	Cost	Funding Source
All	Programs	CalPERS Analysis	Analysis of Pension Contribution Impacts	NA	\$12,000	General Fund / Measure C / Water
All	Infrastructure	Council Chamber Technology Improvement	Replacement of Sound System, Overhead Projector	NA	\$11,000	General Fund / Measure C / Water
Ambulance	Equipment	Ambulance Retrofit	Remount to existing Chassis (Hospital District Reimbursement)	15+	\$195,000	Ambulance
Ambulance/Fire	Equipment	IPad	Replacement iPad (3) & AEDS	Varies	\$5,200	Ambulance
Ambulance/Fire	Furniture	Station #1 Furniture	Replacement Items	Varies	\$2,100	Fire / Ambulance
Ambulance/Fire	Equipment	Technology Replacement	Computer / Monitors	5	\$1,500	Ambulance / Fire
Building Department / Planning City Hall	Software	Building Dept. / Planning Printer	Dual-roll 36-inch printer for planning/building projects	NA	\$10,000	General Fund
City Hall	Programs	Sports Complex Study / Design	Funding for rendering of indoor complex	NA	\$15,000	General Fund
City Hall	Management	Upper Floor Residential Rehab Grant	Grant for providing market rate apartments on Draper St.	NA	\$100,000	General Fund
Economic Development Engineering	Capital	Facade / Alley Program	Grant Program for Facade / Alley - year III	NA	\$30,000	General Fund
Engineering / Planning	Report	Alley Assessment	Assessment of City Alleys for Repair	Varies	\$15,000	LTF 8
Engineering / Planning Engineering / PW	Management	Computer Replacement	Technology Upgrades (Computers)	Varies	\$10,000	General Fund / Water
Engineering / PW	Infrastructure	Downtown Banner Replacement	Welcome Banner Replacement	Varies	\$10,000	Measure C
Engineering / PW	Infrastructure	Curb Ramp Installation	Installation of ADA curb ramps in neighborhoods not currently in compliance	NA	\$15,000	LTF 8
Engineering / PW	Infrastructure	21st Ave Repairs	Road / Sidewalk Reconstruction: Sierra to Pumas	25+	\$575,000	LTF 8 / Measure C
Engineering / PW	Infrastructure	Reclamite	Preventative Maintenance for Newer Roads	Varies	\$20,000	LTF 8
Fire	Facility	Station #1 Repaint	Necessary Repairs and Repaint of Station #1	15	\$25,000	Ambulance / Fire
Fire	Equipment	Wildland Turnouts	Replacement	Varies	\$4,800	Fire
Fire	Equipment	Turnout Extractor	NFPA Requirement		\$18,000	Fire
Parks	Equipment	Parks Improvements	Funding for parks improvements	NA	\$25,000	
Parks	Programs	Capital Fund	Funding for Skate Park (\$40,000 carryover)	Varies	\$40,000	General Fund
Police	Vehicle	Patrol Car	Purchase and upfit of one new patrol vehicle	Varies	\$49,000	General Fund
Police	Equipment	Evidence Room	Fridge / Freezer	NA	\$3,000	General Fund
Pool	Equipment	Sand Filter Replacement	Replace Sand Filters (6 total, replacement of one per year)	25	\$20,000	General Fund / Pool
Public Works	Equipment	Flag Replacement	Swedish / US Flag Replacements	Varies	\$4,000	Measure C
Public Works	Infrastructure	Annual Street Striping	Refresh / replace of striping will enhance safety	Varies	\$10,000	LTF 8
Public Works	Equipment	Sidewalk Repairs	Annual Repairs	Varies	\$15,000	LTF 8 / Measure C
Water Enterprise	Vehicle	F-150 Truck	Replacement of Truck used by Streets / Water	22	\$27,000	Water Enterprise
Water Enterprise	Equipment	Water Well Maintenance	Annual Maint. 7 Primary Wells	Varies	\$20,000	Water Enterprise
Water Enterprise	Infrastructure	Valve Replacement	Valve Replacement in Downtown District	25+	\$34,000	Water Enterprise
<b>General Fund</b>					<b>\$321,300</b>	
<b>Water Fund</b>					<b>\$98,000</b>	
<b>LTF 8</b>					<b>\$370,000</b>	
<b>Measure C</b>					<b>\$313,500</b>	
<b>Ambulance</b>					<b>\$228,800</b>	
<b>Total 17-18 Request</b>					<b>\$1,331,600</b>	

# Capital Improvement Fund 2016-2017

Department	Type of Request	Item Description	Purpose	Age of Item (Year)	Cost	Funding Source	Status
Building Department/Planning	Software	Code Enforcement/Planning Task Software	Software purchase to track code enforcement and planning project. Integrates into existing permitting software.	NA	\$10,000	General Fund	Complete
City Hall	Programs	Public Safety Committee Funds	Program funding for Public Safety events	NA	\$10,000	General Fund	Not Anticipated
City Hall	Management	Update Personnel Manual	Fee for consultant to assist with City-wide personnel manual update to ensure legal compliance	7	\$10,000	General Fund	In Progress
Economic Development	Capital	Facade/Alley Program	Grant Program for Facade/Alley - year II	NA	\$30,000	General Fund	In Progress
Engineering/Planning	Management	NKSP Plan Area Plan lines	Prepare NKSP for future development (road buildouts, storm drainage basins and park locations)	NA	\$40,000	General Fund/Measure C	In Progress
Engineering/PW	Engineering	Bethel Ave. Improvements	Preliminary Engineering of Bethel Ave. Improvements	NA	\$6,075	Federal Grant/Measure C	In Progress
Engineering/PW	Infrastructure	Sierra St. Transit Stop (in front of KMART)	Partnership with FCRTA to add additional stop	NA	\$1,400	Measure C	Complete
Engineering/PW	Infrastructure	Sierra St. Reconstruction; Rafer Johnson Drive to HWY 99	Roadway reconstruct	15	\$7,490	Federal Grant/LTF 8	Complete
Engineering/PW	Infrastructure	Sierra St. Traffic Signal Synchronization	Synchronization of all traffic lights on Sierra; additional of audible walking signals	NA	\$9,000	Federal Grant/LTF 8	Complete
Engineering/PW	Infrastructure	Curb Ramp Installation	Installation of ADA curb ramps in neighborhoods not currently in compliance	NA	\$20,000	LTF 8	Complete
Engineering/PW	Infrastructure	Madsen Ave. Reconstruction	Roadway reconstruct; Madsen Ave. - Sierra St. to Stroud Ave.	15	\$27,694	LTF 8	In Progress
Engineering/PW	Infrastructure	Road Reclamation Project	Reclamation of several streets to prolong life	5	\$40,000	LTF 8	Not Yet Started
Engineering/PW	Infrastructure	Sunset St. Reconstruction	Reconstruction of Sunset St.	20	\$128,000	LTF 8	Not Yet Started
Engineering/PW	Infrastructure	Meadow Ln. Reconstruction	Reconstruction of Meadow Lane	20	\$140,500	LTF 8	Not Yet Started
Engineering/PW	Infrastructure	Laurel Ln. Reconstruction	Reconstruction of Laurel Lane (reimbursement project)	NA	\$140,000	Vet. Reimbursement/LTF 8	Complete
Engineering/PW	Infrastructure	Smith St. Reconstruction	Reconstruction of Smith Street from Draper to 18th Ave.	10	\$196,000	CDBG/LTF 8	In Progress
Engineering/PW	Infrastructure	California St. Reconstruction	Failing roadway; aesthetic improvement of Downtown corridor	20+	\$340,000	Measure C	Complete
Engineering/PW	Infrastructure	Personal Protective Equipment	Replacement of PPE for Reserves; 15 sets	NA	\$44,775	Ambulance/Fire	Complete
Fire	Equipment	Computer Replacement	Computer Replacements	5	\$1,500	Ambulance/Fire	Complete
Fire/Ambulance	Equipment	SCBA Bottle Replacement	Current Bottles No Longer usable in 2017	Varies	\$28,410	Ambulance/Fire	In Progress
Parks	Programs	Capital Fund	Funds to be used for Parks/Rec projects	Varies	\$50,000	General Fund	In Progress
Police	Vehicle	Patrol Car	Purchase and upfit of one new patrol vehicle	Varies	\$40,000	General Fund	In Progress
Pool	Equipment	Sand Filter Replacement	Replace Sand Filters (6 total, replacement of one per year)	25	\$18,000	General Fund/Pool	Complete
Public Works	Equipment	Flag Replacement	Swedish/US Flag Replacements	Varies	\$3,000	General Fund	Complete
Public Works	Infrastructure	Annual Street Striping	Refresh/replace of striping will enhance safety	Varies	\$20,000	LTF 8	In Progress
Public Works	Vehicle	F-150 Truck	Replacement of Truck used by Streets/Water	22	\$24,000	Water Enterprise	Complete
Public Works	Infrastructure	Draper St. Sidewalk Repair	North side of Draper Sidewalk Repair; removal of brick, replacement of slabs, stamped concrete	15	\$41,000	Measure C/Water Enterprise	In Progress
Water Enterprise	Equipment	Vehicle Diagnostic Scanner Replacement	Vehicle Diagnostic Scanner Replacement	10	\$5,000	Water Enterprise	Complete
Water Enterprise	Equipment	Dump Trailer	Dump Trailer	10	\$8,500	Water Enterprise	Complete
Water Enterprise	Equipment	Emergency Generators	Maintenance of Emergency Generators for Facilities	Varies	\$5,200	Water Enterprise	Complete
Water Enterprise	Management	Urban Water Management Plan	Update 2010 UWMP per State requirement	5	\$25,000	Water Enterprise	In Progress
Water Enterprise	Infrastructure	Valve Replacement	Valve Replacement in Downtown District	25+	\$50,000	Water Enterprise	Not Yet Started

General Fund \$194,500  
 Water Fund \$137,700  
 LTF 8 \$734,759  
 Measure C \$382,400  
 Ambulance \$74,685  
 Total 16-17 Request \$1,520,544






Meeting Date: 04/25/2017  
Agenda Item: 5.

## FINANCE COMMITTEE STAFF REPORT

REPORT TO: Chairman Blayney & Finance Committee  
REPORT FROM: Alexander J. Henderson, City Manager; ICMA-CM  
AGENDA ITEM: Financial Policy Review

REVIEWED BY:



ACTION REQUESTED: ☐ Ordinance ☐ Resolution ☐ Motion ☒ Receive/File

### EXECUTIVE SUMMARY

Included in your packet is proposed language relating to the overall financial policies for the City. The Finance Committee, and ultimately, the City Council approves these policies as part of the annual budget process. As is customary, we review our policies to ensure internal controls, relevant information and to guide our operations.

Staff has included the existing Financial Policies for your review. We have reviewed existing language and are not recommending any changes at this time.

As with other portions of the budget process, this is a discussion topic at this time. Staff will take Council direction and will incorporate any changes into a future recommendation. The policies will be considered for final adoption along with the budget in June.

The document has been reviewed by legal counsel as well.

### RECOMMENDED ACTION BY FINANCE COMMITTEE

1. Review the document and provide direction to staff.

### POLICY ALTERNATIVE(S)

1. NA

### REASON FOR RECOMMENDATION/KEY METRIC

1. These financial policies are part of the strategic directive of financial stability. These policies provide guidelines for staff as they relate to several areas of the City's budget, investments, and purchasing powers.

### FINANCIAL INFORMATION

#### **FISCAL IMPACT:**

- |                              |            |
|------------------------------|------------|
| 1. Is There A Fiscal Impact? | <u>YES</u> |
| 2. Is it Currently Budgeted? | <u>NA</u>  |
| 3. If Budgeted, Which Line?  | <u>NA</u>  |

### BACKGROUND INFORMATION

The Finance Committee reviews this information on an annual basis. It is included as part of the budget process each year. The entire document and language was also reviewed by the City's professional auditing firm.

### ATTACHED INFORMATION

1. Existing Financial Policies

## **CITY FINANCIAL, MONETARY, AND BUDGETARY POLICIES**

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The budget for the City of Kingsburg is a comprehensive guide for the financial decision-making and operational management throughout the fiscal year. The budget is not only a financial plan but also a performance plan to assist in accomplishing the strategic goals set forth by the City Council. This section describes the policies and procedures that govern the preparation and implementation of the City's budget as well as managing the short and long-term finances and investments of the City.

### **Approved Budget Guidelines**

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Each year, the respective subcommittees and City Council approve budget guidelines to provide guidance and assist in the development of the annual budget. The development of the 2017-2018 budget will also incorporate the plans set forth in the City's strategic planning process, as well as a comprehensive employee survey. The proposed 2017-18 Budget guidelines are outlined below, and include:

#### **Financials:**

- Examine 5 year historical trending in all revenue and expenditure accounts.
- Analyze and update financial policies and procedures,
- Incorporate policies into 2017-2018 budget. Identify non-dedicated fund balances, and define purpose or recommend usage alternatives.
- Fund long term future obligations and designated reserve accounts.
- Utilize one-time funds received to help pay down debt and purchase deferred capital equipment.
- Examine current and alternative revenue sources that promote long-term financial sustainability.
- Examine adequacy and equity of fees and revenues for services and programs.
- Examination of current street sweeping program to improve air quality and keep costs in line.

#### **Citizen Commitment:**

- Analyze performance measurement metrics to enhance service delivery efficiencies.
- Examine the most cost effective way of providing service and conducting business.
- Examine and where applicable reduce redundancies in service provisions.
- Enhance joint purchasing arrangements from a multi-community and City perspective.
- Maintain preventative infrastructure maintenance program and Capital Improvements funding.
- Examine additional energy efficiency initiatives to offset rising energy costs.

#### **Personnel:**

- Examine organizational structure and necessary staffing adjustments to meet growing organizational needs.
- Implement changes (if necessary) from collective bargaining agreements and employee handbook.



- Examine special fund contributions to the general fund to ensure allocations are appropriately structured to reimburse general fund (i.e. Water, Measure C, Local Transportation Funds, and Solid Waste).
- Transition to performance, metric based wage and evaluation compensation system.
- Examine and make recommendation on employee leave programs to proactively address GASB 45-Other Post Employment Benefit liabilities

### **Explanation of Budgetary Process**

Although the administration of the existing budget is a constant process, the preparation of the next year's budget begins during January with the establishment of the annual budget guidelines which serve as written goals and parameters for the development of the annual operating budgets. The City uses the following procedures when establishing budgetary data reflected in this document:

- A. During January-February, planning meetings are held whereby the City Council, its sub-committees, and Department Heads receive input and subsequently develop areas of emphasis and specific action items in order to provide a framework for the budget development.
- B. In April, a budget session with Department Heads is held at which time budget instructions for the ensuing year are given by the City Manager.
- C. In April, the department heads submit to the City Manager, proposed operating budgets for the fiscal year which commences the following July 1. The operating budget includes proposed expenditures and means of financing them.
- D. In May, the City Manager submits the Executive Budget to the City Council. Copies of the budget are made available for general public use at the City Clerk's Office and online via the City's website and other social media outlets.
- E. A budget public meeting/workshop is held by the City Council and City staff in early part of June. A public hearing is held the middle of June concerning the proposed budget.
- F. During the second Council meeting in June, the City Council approves by resolution the proposed budget.

### **Budget Overview**

Beginning with the 2015-2016 budget, the document was evaluated by the Government Finance Officers Association (GFOA), which offers critiques, praise, and other suggestions to help improve every aspect of the budget document. The City was honored to receive the GFOA Distinguished Budget Award for the first time. The award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting.

The budget guidelines approved by the City Council were used as the foundation to create the 2017-2018 financial blueprint for the City. The 2017-2018 budget is designed to provide ease of use to the reader, while acting as a financial conduit for all City related expenses. We anticipate submitting the document for review to the GFOA for the second consecutive year. Overall, the budget is designed and graded based upon the following:

### **The Budget as a Policy Document**

As a policy document, the budget indicates what services the City will provide during the next fiscal year. Throughout the document the reader will have the opportunity to view both long and short-term goals, and how the financial policies will interact to meet the needs of City residents.

### **The Budget as an Operations Guide**

As an operations guide, the 2017-2018 budget provides detailed expenditures based upon departmental need. Each department is responsible for specific actions that feed into the overall organizational plan.

### **The Budget as a Financial Plan**

As a financial plan, the budget summarizes and details the cost to the citizens of Kingsburg for services received, as well as funding information. The document will outline major revenue sources, expenditures, and overall changes and challenges from previous years. The Budget in Brief provides a quick synopsis of expenditures and revenues.

### **The Budget as a Communications Device**

Perhaps the most important part of the budget document is to make sure it is a usable, readable document for citizens, elected officials, and staff alike. Staff has worked diligently to provide summary information available in text, charts, tables, and graphs.

The user will notice several departmental goals, as well as how they are incorporated into the overall budget and management methods.

## **GENERAL OPERATIONS POLICY**

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The establishment of general operations policy statements is an important component of the City's financial management policy and planning efforts.

### **A. Accounting**

- The City will establish and maintain the accounting systems according to GAAP.
- An annual audit will be performed by an independent public accounting firm which will issue an official opinion on the annual financial statements. In addition, full disclosure will be provided in the financial statements and bond representations.
- Financial systems will be maintained to monitor expenditures and revenues on a monthly basis and all revenue collections will be consolidated under the Finance Director. A cash-flow analysis, including disbursements, collections, and investments, will be prepared on a regular basis indicating that sufficient cash is available for daily financial needs.
- Encumbrances represent commitments related to unperformed contracts for goods or services, and will be recorded when incurred. Encumbrances outstanding at year-end will be reported as reservations of fund balance.
- The City will establish and maintain a depreciation schedule based on the straight-line method. The useful life of capital assets will be based on internal information,

information on comparable assets from other governments, and general guidelines from professional or industry organizations.

#### **B. Revenue**

- Each year and whenever appropriate, existing revenues will be re-examined and possible new sources of revenues will be explored to ensure that we are maximizing our revenue potential.
- Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of our government. One-time revenues will be used for capital improvements or as legally restricted to a specific purpose.
- Each year and whenever appropriate, intergovernmental revenues will be reviewed to determine their short and long-term stability, to minimize the impact of any adverse changes. Intergovernmental revenues shall be used as legally prescribed or otherwise set forth by policy.
- Any amounts due to the City will be carefully and routinely monitored. An aggressive policy of collection will be followed for all receivables. In addition, proprietary funds will generate revenue sufficient to support the full direct and indirect costs of these funds.
- All potential grants and other aid shall be carefully examined for matching requirements and restrictive covenants, to ensure that our participation in such grants will be beneficial and cost-effective.

#### **C. Budget & Capital Improvements**

- The City will pay for all current operating expenses with current revenues and will avoid budgetary procedures that balance current costs at the expense of future years, such as postponing necessary expenses, accruing future revenues, or rolling over of short-term debt.
- The City will prepare and maintain a multi-year capital improvements plan and project its equipment replacement needs for at minimum the next five years. Estimated costs of each capital improvement projected for each year will be included in the annual budget, including the impact to annual operating expenditures.
- Intergovernmental funding sources for capital improvements from the federal, state, and private sector will be actively sought and used as available to assist in financing of capital improvements.

### **BUDGET AMENDMENT POLICY**

Following the adoption of the annual budget, budget transfers and supplemental appropriations are made based on the following:

#### **A. Items requiring City Council Action**

- Appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.



## **B. Items delegated to the City Manager**

- Since the annual City budget is adopted at the functional level of expenditure (program categories, i.e., Public Works and Public Safety), the City Manager may authorize any intra-program line item change, i.e., utilities, local auto expense, supplies, etc. between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.

## **FINANCIAL PROCEDURES & INVESTMENT POLICY**

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The purpose of this policy is to establish investment objectives; to delegate authority for the execution and reporting of investments; to establish standards of prudence; to direct the development of internal control; to establish standards for Depositories, to set and establish collateral requirements; and to identify permitted investment.

This investment policy applies to all cash assets of the City, except:

- A. Funds which are held by an external trustee and are restricted in their investment by terms of a trust indenture; in which case the trust indenture shall regulate investment activities;
- B. Funds granted to or held in custody by the City, under terms which provide for or restrict their investment in a particular manner; in which case said provisions or restrictions shall regulate investment activities;
- C. Funds otherwise restricted by State or Federal laws or regulations; in which case said restrictions shall regulate investment activities.

The primary objectives of investment activities shall be the following in order of importance: safety, liquidity, and yield:

- A. Safety: Preservation and safety of principal are the foremost objective of the investment program. Investment shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In addition, all risks associated to City funds and investments will be disclosed on an annual basis or as requested.
  1. Credit Risk - The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by:
    - Limiting investments to the types of securities listed in this Investment Policy.
    - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
    - Diversifying the investment portfolio.
  2. Interest Rate Risk - The City will minimize rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
    - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.
  - Utilizing securities with adjustable coupon rates to minimize price volatility.
- B. Liquidity: The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- C. Yield: The investment portfolio shall be designed with the objective of attaining a rate of return/yield throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity unless as deemed appropriate by the City Manager, or for the following exceptions:
  - 1. A security with declining credit may be sold early to minimize loss of principal.
  - 2. A security swap would improve the quality, yield, or target duration in the portfolio.
  - 3. Liquidity needs of the portfolio require that the security be sold.

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#### STANDARDS OF CARE & REPORTING

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**A. Prudence:**

The City's investments shall be made with judgment and care, under prevailing circumstances, which a person of prudence, discretion, and intelligence would exercise in that management of the person's own affairs, not for speculation, but for investment, considering the safety of capital and the yield to be derived.

**B. Ethics and Conflicts of Interest:**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict or be perceived to conflict with proper execution of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

**C. Delegation of Authority:**

The City Council (the "Council") is ultimately responsible for the investment of City funds. The responsibility for conducting investment transactions is delegated to the Finance

Committee (the "Committee") which shall conduct its day- to-day activities through the office of the Finance Director. The Finance Director may, with Committee and Council approval, receive assistance from one or more investment advisors. The Finance Director will provide investment data, statistics and recommendations to the Committee to aid in investment decisions.

**D. Reporting Requirements:**

The Finance Director shall report investment portfolio performance to the Committee at least annually or when a specific request is made. The report will summarize the investment strategies employed, describe the portfolio in terms of investment securities, maturities, risk characteristics and other factors. The report will indicate any areas of policy concern and suggested or planned revision of investment strategies. The Committee shall report investment portfolio performance to the Council annually and shall ask the Council to review its investment strategies at least annually.

**E. Internal Controls:**

The Finance Director shall establish a system of internal controls, which shall be approved by the Committee. The internal controls shall be reviewed by an independent certified public accountant in conjunction with the annual examination of the financial statements of the City. The controls shall be designed to forecast cash flows, maximize the investment of available balances, fully report results of investment activities and prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the City.

All purchases and sales of investment securities must be authorized by the City Manager and Clerk/Treasurer, or in one's absence, the Deputy Treasurer. All bank accounts shall be reconciled on a monthly basis and shall be completed in a reasonable time after the receipt of the monthly bank statement.

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**AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS**

**A. Depositing of Funds:**

All currency, checks, drafts or other funds in any form payable to the bearer, or endorsed for payment, shall be promptly deposited in an approved Depository, so designated by the Council.

Designation by the Council shall be given only when the financial institution meets all Public Depository requirements provided for by applicable State and Federal laws and regulations, and the following additional criteria:

**1. Deposit Insurance:**

The financial institution is a member of the Federal Deposit Insurance Corporation (FDIC) and deposits made with the financial institution are insured to the maximum permitted by the FDIC.

**2. Depository Agreement:**



Any financial institutions acting as a depository for the City must enter into a "depository agreement" requiring the depository to:

- a. Pledge collateral to secure amounts over and above guaranteed amounts. All securities serving as collateral shall be specifically pledged to the City (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution.
- b. Require the custodian to send statements of pledged collateral to the City Finance Director on a monthly basis.
- c. Annually, provide the City its audited financial statements.
- d. Provide the City normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sale investment securities and safekeeping services. Fees, if any, shall be mutually agreed to by an authorized representative of the depository bank and the City Clerk/Treasurer.

**B. Preferences for Local Financial Institutions:**

All else being equal comparing financial institutions meeting the criteria set forth, the City Council will give preference in selection to those financial institutions who maintain offices in the immediate area.

#### **COLLATERALIZATION**

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**A. Collateral Required:**

All City funds held in City Depositories which are not held in investment securities registered in the name of the City shall to the extent they exceed federal deposit insurance and state public deposit security fund coverage limits, be collateralized as provided in this Section. The City will minimize the amount of time that cash and investments are held at any given bank exceeding \$500,000, understanding that certain times during the year, it may be temporarily unavoidable to not exceed these dollar amounts due to fluctuating cash flows, and depository requirements.

**B. Form of Collateral:**

Except as provided in Subparagraph a. of Subsection C.1. of this Section, collateral shall be pledged in the name of the City and must be one of the following:

1. Securities of the U.S. Treasury or U.S. Governmental Agency as defined by the Federal Reserve. If held herein, the collateral may consist of any reserves deemed acceptable by the Federal Reserve Bank to meet other reserve requirements of the Depository provided it is held in a sub-account which names the City as beneficiary.
2. U.S. government guaranteed securities such as those issued through the Small Business Administration, provided they are fully guaranteed.
3. General obligations of states or municipalities provided they are rated in the highest or second highest rating categories by Moody Investors Service, Inc., Standard and Poor's Corporation or Fitch Investors Service, L.P.

**C. Valuation of Collateral:**

1. Valuation: Collateral must be marked to market not less frequently than monthly and its value reported on the monthly statement.
2. Sufficiency: The value of the collateral must equal 105% of the amount requiring collateralization. Additional collateral is to be requested when the monthly statement indicates a deficiency.

**D. Substitution of Collateral:**

Collateral agreements are to prohibit the release of pledged assets without the authorization of the Finance Director, however, exchanges of collateral of like value are to be permitted.

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**AUTHORIZED INVESTMENTS**

Funds of the City which are not immediately needed for payment of obligations shall be invested to the greatest extent practical, in accordance with applicable Statutes, if the funds have been appropriated for the payment of debt service, and California Statutes, if the funds are to be used for any other purpose. The following investment securities are permitted to be used:

1. U.S. Treasury Obligations and Government Agency Securities.
2. Certificates of Deposit.
3. Municipal General Obligations.
4. LAIF.
5. Repurchase Agreements.
6. Operating Bank Account.
7. Money Market Funds.
8. Commercial Paper.
9. Bonds rated in the highest or second highest rating category.

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**INVESTMENT TRANSACTIONS & PARAMETERS**

**A. Co-mingling of Funds:**

The Finance Director may pool cash from several different funds for investment purposes, provided such co-mingling is permitted by law, and records are maintained which show that interest earned on such investments has been fairly allocated to each originating fund.

**B. Securities Firms:**

The Finance Director is authorized to execute purchases and sales of Permitted Securities with City Depositories or with securities firms previously approved by the Committee, (the "Approved List"). Such firms must be licensed to conduct business in California, shall be a member of the National Association of Securities Dealers and the Securities Investor Protection Corporation.

**C. Diversification:**

The investment policy incorporates the investment strategy and as such, will allow for diversification of investments to the extent practicable considering yield, collateralization, investment costs, and available bidders. Diversification by investment institutions shall be determined by an analysis of yield, collateral, investment costs, and available bidders. Diversification by types of securities and maturities may be as allowed by this policy and California State Statutes.

**D. Maximum Maturities:**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. However, the maximum maturities for any single investment shall not exceed five (5) years, except for reserve funds. The maximum dollar-weighted average maturity for pooled investments will not exceed three (3) years. Reserve funds may be invested in securities not to exceed ten (10) years if the maturity of such investments is made to coincide as nearly as practicable with the expected call date or final payment date, whichever is shorter. For securities with adjustable rate coupons, the average time to coupon reset will be used as a measure of average maturity.

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**APPROVAL OF INVESTMENT POLICY AND AMENDMENT**

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This investment policy is intended to clarify, amend, and supersede existing investment policies. The Committee is delegated the authority to amend this Investment Policy from time to time as it deems such action to be in the best interest of the City. Any such amendment shall be promptly recommended to the City Council for consideration. When amendment occurs, any investment currently held that does not meet the guidelines of the amended policy, shall be temporarily exempted from the requirements of this policy. Investments must come in conformance with the amended policy within six (6) months of the policy's adoption or the Committee must be presented with a plan through which investments will come into conformance.

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**FUND BALANCE POLICY**

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The establishment of a formal fund balance policy is an important component of the City's financial management policy. Maintaining appropriate levels of fund balance is a key element of the City's overall financial health. This policy is intended to set targets for the desired level of fund balances, identify the approach to maintain these levels, and to provide guidelines for the use of fund balance.

- A. To insulate the City from large, unanticipated one-time expenditures or revenue reductions resulting from external changes.
- B. To provide funds to allow the City to respond to unforeseen emergencies.
- C. To provide sufficient working capital to eliminate the need for short-term borrowing due to the timing of the receipt of short-term receivables and the remittance of short-term payables.
- D. To strive to maintain a general fund balance equal to or above 20% of budgeted general fund appropriations. In determining the acceptable range of general fund balance, the City considers the following factors:
  - 1. Historical stability of the City's revenues and expenditures.
  - 2. Timing of revenue collections in relation to payments made for operational expenditures.
  - 3. Anticipated growth in the services to be provided City residents.
- E. Apply any operational surplus at the end of any fiscal year to the reserve for working capital if necessary to meet policy minimums.
- F. Eliminate the budgeted use of fund balance if its use would reduce the available balance below policy minimums.



## **FUND BALANCE AND RESERVE FUND REQUIREMENTS**

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The City recognizes that fund balances are targeted objectives to ensure the long-term stability of the City's finances. From time to time, upon City Council authorization, the funds may not contain the stated goal. This is done with the understanding that it is in the best interests of the taxpayers and most cost effective manner to utilize the reserve funds.

The City also recognizes that in some instances, it will take time to build the fund balances to the desired level. The timeframe for achieving the desired level is balanced with the short and long term financial considerations of the City.

- A. General Fund - The fund balance shall not be less than 20% of the budgeted general fund appropriations as approved by the City Council as of July 1 of each year. Any excess shall be allocated and approved by the City Council upon completion of the annual audit of City financials. Amounts over the 20% will be allocated as deemed necessary into designated reserve accounts by the City Council.

## **DEBT MANAGEMENT POLICY**

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Debt can be an effective way to finance capital improvements. State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation. Properly managed debt preserves credit ratings, provides flexibility in current and future operating budgets, and provides long-term assets that maintain or improve our quality of life. To provide for the appropriate issuance and responsible use of debt, the City has adopted the following (below) debt management policy objectives.

- A. Long-term debt will be issued only for objects or purposes having a period of probable usefulness of at least five years.
- B. Short-term debt should be limited, but may be issued whenever appropriate for objects or purposes having a period of probable usefulness of at least five years, when deemed financially prudent.
- C. Debt maturity will not exceed the lesser of: the useful life, or the period of probable usefulness of the object or purpose so financed.
- D. The annual operating budgets of all funds will be maintained so as to ensure the full and timely repayment of debt principal and interest due that year.
- E. The total amount of outstanding debt will comply with State Statutes.
- F. Good communications will be maintained with bond rating agencies, bond counsel, banks, financial advisors, and other involved in debt issuance and management.
- G. Comprehensive annual financial reports and official statements will reflect the City's commitment to full and open disclosure concerning debt.

## **CAPITALIZED FIXED ASSETS POLICY**

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The purpose of this policy is to establish a general policy for Capitalized Fixed Assets including standards for valuation of assets with a useful life greater than one-year. This policy applies to the purchases of all departments and divisions of the City of Kingsburg. The provisions of California Statute take precedence over any portion of this policy that may be in conflict. More

restrictive procurement procedures required by grants, aids, statutes or other external requirements or funding sources will take precedence.

- A. The Fixed Assets Account Group shall include general fixed assets, i.e., non-infrastructure assets. Infrastructure assets are assets that are immovable and of value only to the City government, e.g., buildings, sewers, and streets. As a general rule, "capitalized" items maintained within the Fixed Assets Account Group shall have an expected useful life greater than one year and a purchase, donated or assessed value equal to or greater than \$5,000. For computer equipment, initial operating software shall be included but subsequent operating software and application software shall be excluded.
- B. Generally repairs will not qualify for changing the initial capitalized value. Only major replacements of components and/or additions which significantly change the initial capitalized value or significantly extend the expected useful life of any capitalized item shall be considered in order to substantiate any subsequent year value change of an asset maintained within the Fixed Assets Account Group.
- C. Encumbrances are commitments related to requisitions or contracts that have been issued, but for which no goods or services have yet been received. Encumbrances are recorded as they occur for budgetary control purposes.

The issuance of a purchase order requisition or the signing of a contract creates an encumbrance of the amount required to be paid during the current year. This amount is no longer available for obligation or expenditure, unless the purchase order requisition or contract is canceled. Encumbrance records shall be maintained by the City Finance Director.

#### **ASSET VALUATION**

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Departments shall record long-term assets at historic cost or, if the cost is not readily determined, at estimated historic cost. Cost shall include applicable ancillary costs. All costs shall be documented, including methods and sources used to establish any estimated costs.

- A. Purchased Assets - the recording of purchased assets shall be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation.
- B. Salvage Value – the recording of purchased assets that are expected to be sold at retirement should be recorded with the historical estimated sale value if in excess of \$5,000. If sale value is less than \$5,000, normal depreciation for the useful life will be used.
- C. Self-Constructed Assets – All direct costs (including labor) associated with the construction project shall be included in establishing a self-constructed asset valuation. If a department is unable to specifically identify all direct costs an estimate of the direct cost is acceptable, but must be supported by a reasonable methodology.

- D. Donated Assets –Fixed assets acquired by gift, donation or payment of a nominal sum not reflective of the asset’s market value shall be assigned cost equal to the fair market value at the time of acquisition.
- E. Leased Property - Capital lease property should be recorded as an asset and depreciated as though it had been purchased.
- F. Dedicated Assets –Required installation by Developer of public improvements, including but not limited to sanitary service mains, manholes, laterals and all appurtenances, water mains, laterals, hydrants, valves and all appurtenances, storm sewers, stormwater management measures, streets, curb and gutter, street lights, street signs, sidewalks will be dedicated to the City upon completion. Recording of infrastructure assets will be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation provided by the Developer.

## **PURCHASING & EXPENDITURE/EXPENSE POLICY**

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### Goal

Expenditure/expenses are a rough measure of a local government’s service output. While many expenditures/expenses can be easily controlled, emergencies, unfunded mandates, and unanticipated service demands may strain our ability to maintain a balanced budget. To ensure the proper control of expenditures/expenses and provide for a quick and effective response to adverse financial situations, the City of Kingsburg has adopted the expenditure/expense policy. The controls and procedures set forth are intended to provide reasonable assurance that the lowest cost, highest quality good or service is obtained, while balancing the need for flexibility and efficiency in departmental and City operations.

### Coverage

This policy applies to the purchases of all departments and divisions of the City of Kingsburg. The provisions of California Statute take precedence over any portion of this policy that may be in conflict. More restrictive procurement procedures required by grants, aids, statutes or other external requirements or funding sources will take precedence.

### Ethical Standards

1. All procurement shall comply with applicable federal, state and local laws, regulations, policies and procedures.
2. Employees are not to engage in any procurement related activities that would actually or potentially create a conflict of interest, or which might reasonably be expected to contribute to the appearance of such conflict.
3. No employee shall participate in the selection, award or administration of a contract if a conflict of interest would be involved. Such a conflict would arise when the employee, any member of his immediate family, business partner or any organization that employs, or is about to employ, any of the above, has a financial interest or other interest in the firm selected for award.

4. To promote free and open competition, technical specifications shall be prepared to meet the minimum legitimate need of the City and to the extent possible, will not exclude or discriminate against any qualified contractors.
5. No employee shall solicit or accept favors, gratuities, or gifts of monetary value from actual or potential contractors or subcontractors.
6. Employees must maintain strict confidentiality in the procurement process and shall not impart privileged information to any contractors that would give them advantage over other potential contractors.
7. Personal purchases for employees by the City are prohibited. City employees are also prohibited from using the City's name or the employee's position to obtain special consideration in personal purchase.

#### General Guidelines

1. Purchases are classified into the following major categories:
  - a. Goods (tangible items): e.g. equipment, supplies, vehicles
  - b. Services: items requiring outside labor, maintenance agreements, etc.
  - c. Construction of public buildings and improvement
2. Purchasing Oversight
  - o Department heads are responsible for procurement issues in their individual departments. Departments are to insure that the purchase order requisitions are entered prior to purchases, receipts are collected and recorded, and the requisition is put through for payment and will be responsible to respond to questions on the payment or non-payment of the item.
3. Expenditures/expenses and purchase commitments will be made in a form and process that is legal, appropriate, funded, authorized and sufficiently documented.
4. Expenditures/expenses and purchase commitments will be recorded in an accurate and timely fashion.
5. For items that are purchased regularly or by multiple departments, departments are encouraged to use cooperative purchasing or purchasing in bulk in order to reduce City costs.
6. The Finance Director shall review each request to determine compliance with the City's budget and purchasing policy.
7. This purchase order requisition must include the invoice must and forwarded to the Finance Director for processing the payment.

#### **1. Purchases under \$1,000**

Purchases under \$1,000 shall be made as follows:

##### Budgeted Supplies, Services and Equipment

Purchases of budgeted supplies, services and equipment in an amount up to one-thousand dollars (\$1,000.00) shall be made only by purchase order approved by the City Department Head.

Unbudgeted Supplies, Services and Equipment

Purchase of supplies, services and equipment not contained in the annual budget in an amount up to one thousand dollars (\$1,000.00) shall be made only by purchase order approved and signed by the Department Head and the City Manager or Finance Director.

Department heads are responsible for monitoring all purchases made using this procedure to ensure that the City is receiving a high value for its expenditures.

**2. Purchases of at least \$1,000 and under \$25,000**

Purchases of at least \$1,000 and under \$25,000 shall be made as follows:

Budgeted Supplies, Services and Equipment

Purchases of budgeted supplies, services and equipment between one thousand dollars (\$1,000.00) and twenty-five thousand dollars (\$25,000.00) shall be preceded by obtaining no less than two (2) quotations received in writing from separate vendors for compatible items. Such purchases shall be made by purchase order with the approval of the Department Head and City Manager or Finance Director.

Unbudgeted Supplies, Services and Equipment

Purchases of supplies, services and equipment not contained in the annual budget between one thousand dollars (\$1,000.00) and twenty-five thousand dollars (\$25,000.00) shall be with the approval of the City Council after presenting no less than two (2) quotations received in writing from separate vendors for compatible items. Such purchases shall be made by purchase order with the approval of the Department Head and City Manager or Finance Director.

The purchase order for the item must be provided to the City's Finance Director within 4 days after approval of the purchase. If the selected vendor did not offer the lowest price, the purchase order must include an explanation of why the vendor offering the lowest price was not chosen.

**3. Purchases of a least \$25,000 and under \$100,000**

Purchases of at least \$25,000 and under \$100,000 shall be made as follows:

Budgeted Supplies, Services and Equipment

Purchases of budgeted supplies, services and equipment between twenty-five thousand dollars (\$25,000.00) and one -hundred thousand dollars (\$100,000.00) shall be preceded by two (2) written quotations from vendors. On a case by case basis the City Manager shall direct whether or not the formal bid process shall be used. If no formal bid process is directed, such purchases shall be made by purchase order with the approval of the Department Head and the City Manager.

Unbudgeted Supplies, Services and Equipment



Purchases of supplies, services and equipment not contained in the annual budget between twenty-five thousand dollars (\$25,000.00) and one one-hundred thousand (\$100,000.00) shall be preceded by two (2) written quotations from vendors. On a case by case basis the City Manager shall direct whether or not the formal bid process shall be used. If no formal bid process is directed such purchases shall be made by purchase order with the approval of the Department Head and the City Manager. In either case, formal bids or not, unbudgeted purchases shall be made only with the approval of the City Council. If the selected vendor does not offer the lowest price, the City Council will be provided with an explanation of why the vendor offering the lowest price was not chosen.

#### **4. Purchases greater than \$100,000**

Purchases greater than \$100,000 shall be made as follows:

##### Budgeted Supplies, Services and Equipment

Purchases of budgeted supplies, services and equipment greater than one one-hundred thousand dollars (\$100,000.00) shall be preceded by three (3) written quotations from vendors. On a case by case basis the City Manager shall direct whether or not the formal bid process shall be used. If no formal bid process is directed such purchases shall be made by purchase order with the approval of the Department Head and the City Manager. If the selected vendor does not offer the lowest price, the purchase order must include an explanation of why the vendor offering the lowest price was not chosen.

##### Unbudgeted Supplies, Services and Equipment:

Purchases of supplies, services and equipment not contained in the annual budget greater than one one-hundred thousand (\$100,000.00) shall be selected through a formal bidding process. These purchases shall be made only with the approval of the City Council. If the selected vendor does not offer the lowest price, the City Council will be provided with an explanation of why the vendor offering the lowest price was not chosen.

##### Emergency Purchases Policy

When an emergency situation does not permit the use of the purchasing procedures identified above, , the City Manager may determine the most appropriate method to make the procurement of one hundred thousand dollars (\$100,000.00) or less. Appropriate documentation identifying the basis for the emergency and the method of procurement will be submitted to the Finance Director within five (5) working days after making the purchase.

The City Mayor with the concurrence of one other council member may authorize the City Manager in writing to incur expenditures of more than one hundred thousand dollars (\$100,000.00) but not more than two hundred fifty thousand dollars (\$250,000.00) under emergency situations when the health, safety and welfare of the employees or residents of the City or their property are threatened and time constraints do not permit normal City Council expenditure approval. If the City Mayor is not available the Mayor Pro-tem of the City Council

with the concurrence of one other council member may act in the City Mayor's absence to authorize the emergency expenditure. If neither the Mayor nor the Mayor Pro-tem of the City Council are available, any two council members shall have the authority to authorize any such emergency expenditure. . The City Council shall be notified of the emergency expenditure within 48 hours after the decision to make the expenditure. At the next regularly scheduled City Council meeting the City Council shall be provided with all the information and documentation regarding with expenditure including a copy of the written authorization required for the expenditure.

#### Purchases of Services

Whenever practical, the purchase of services should be conducted based upon a competitive process:

- Contractor services is defined as the furnishing of labor, time or effort by a contractor, usually not involving the delivery of specific goods or products other than those that are the end result of and incidental to the required performance. Examples of contractor service include: refuse and recycling collection, maintenance, mailing, or delivery services. Contractor services shall follow the competitive procurement policy for the purchase of goods subject to the same spending guidelines. The cost shall be determined by considering the maximum total expenditure over the term of the contract.
  - Construction services is defined as substantial repair, remodeling, enhancement construction or other changes to any City owned land, building or infrastructure. Procedures found with in State of California Statute shall take precedence. In absence of guidance in these areas, construction services shall follow the competitive procurement policy for the purchase of goods subject to the same spending guidelines.
  - Combined Goods and Services in situations where the purchase combines goods and services (exclusive of construction and contractor services), such as many technology projects, the purchase shall be treated as a purchase of professional services.
  - Professional services is defined as consulting and expert services provided by a company, organization or individual. Examples of professional services include: attorneys, certified public accountants, appraiser, financial and economic advisors, engineers, architect, planning and design. Professional services are generally measured by the professional competence and expertise of the provider rather than cost alone.
1. If it is estimated that the service being solicited has a total cost of over \$25,000 a formal Request for Proposal may be used to solicit vendor responses. The department head shall be responsible for the preparation of all Requests for Proposal specifications, notices and advertising. Prequalification of proposers may be done at the discretion of the department head.
    - The Purpose of an RFP is to solicit proposals with specific information on the proposer and the service offered which will allow the City to select the best proposal. The best proposal is not necessarily the proposal with the lowest cost.

- Based upon the services or project and the magnitude of the outcome a selection committee may be advisable.
- Requests for proposals shall be formally noticed. All notices and solicitations of proposals shall state the time and place of the proposal opening.
- Information to be requested of the proposer should include : Number of years the proposing company has been in business, company's experience in the area of desired services, financial strength of the company, examples of similar services/projects completed, resumes of staff that will be associated with the project/service, list of references, insurance information. In addition the proposal should provide information about the City, scope of services requested and any outcomes. The proposal should also identify evaluation factors and relative importance.
- Establish selection criteria and include this information with the RFP. It is generally advisable to establish a numeric ranking matrix. This reduces the subjective nature of the rating process.
- Proposals should be solicited from an adequate number of qualified sources. Requests for proposal should be formally noticed. All notices and solicitations should provide the issue date, response due date, date and time of opening responses and a contact person.
- Proposals shall be opened and recorded with a tabulation of proposals received shall be available for public inspection. All proposal documentation shall be placed on file with the City Clerk. The Department Head and selection committee (if applicable) will then review the proposals and make a recommendation to the City Council.
  - Service contracts or agreements should be reviewed by the City Insurance Company and the City Attorney and placed on file with the City Clerk.

#### Sole Source Purchasing Policy

Sole source purchasing should be avoided unless it is clearly necessary and justifiable. The justification must withstand the scrutiny of the City Council and the public. The Department Head is responsible for providing written documentation justifying the valid reason to purchase from one source or that only one source is available.

Sole source purchasing criteria include:

1. Urgency due to public safety, serious injury, financial or other unusual and compelling reasons.
2. Goods or service is available from only one source and no other good or service will satisfy the City's requirements
3. Legal services provided by an attorney
4. Lack of acceptable bids or quotes
5. An alternate product or manufacturer would not be compatible with current products resulting in additional operating or maintenance costs
6. Standardization of a specific product or manufacturer will result in a more efficient or economical operation
7. Aesthetic purposes or compatibility is an overriding consideration

8. Purchase is from another governmental body
9. Continuity achieved in a phased project
10. Supplier or service demonstrates a unique compatibility not found elsewhere Sole source purchases follow the same necessary approval process as described above under the purchasing of goods.

#### Petty Cash Policy

The City maintains a petty cash account to expedite the miscellaneous purchases and payment of small bills. Petty cash funds are available at City Hall.

To be eligible to use the petty cash fund, the following requirements must be met:

1. The item to be purchased must not be regularly stocked
2. The employee must have a petty cash slip completed which includes the item(s) to be purchased, the amount of petty cash needed and the account number the purchase is budgeted to.

Upon completion of the purchase, the employee must return the receipt and any change to the Finance Director/Designee. The designee in charge of the petty cash funds is responsible to enter in all the petty cash expenditures using a purchase order requisition in order to receive a replenishment of petty cash funds.

#### Employee Reimbursement Policy

If the need arises to purchase an item for the City with personal funds, the employee must submit the receipt and an Expense Reimbursement Form to the Finance Director. This form should include a detailed listing of the items purchased and must be signed by the employee to be reimbursed, his or her Department Head and the Finance Director. It is the responsibility of the employee making the purchase to ensure that any available discounts are applied and that sales tax is not included, when applicable.

#### Credit Card Policy

The City maintains a credit card account that may be used when it is impractical or inefficient to follow the normal payment process. The Finance Director shall administer the use of the City credit card. To use the City credit card, the employee must have a purchase order requisition form completed and signed by the Department Head. The requisition will include the item(s) to be purchased, the limit of funds to be spent and the account number the purchase is budgeted to. Upon completion of its use, the credit card shall immediately be returned to the Finance Director along with the receipt and the purchase order requisition.

The use of these cards shall be strictly for the purchase of approved goods. Employees using the credit cards are responsible for any credit, returns or disputes regarding purchases made by the employee. If a return or credit is made, you must notify the Finance Director.

At no time is the credit card user permitted to use the City credit card for any purchases not on an approved purchase order requisition, without permission or for a transaction that is personal in nature. Misuse of the credit card will result in revocation of privileges of the credit card for

future purchasing and, if necessary, appropriate disciplinary action will be taken. Liability for misuse of these cards shall accrue directly to the credit card user, and not the City.

Employees authorized to use a City credit card are responsible for lost or stolen cards. If a card is lost or stolen, immediately report the incident to the Finance Director and they will contact the credit card company.

#### Receiving and Inspection Policy

Department Heads, or their designees, are responsible for receiving to their departments to ensure that items received conform to the specifications and quantities set forth in the purchase order requisition. All deliveries should be thoroughly inspected to ensure that materials are received in satisfactory condition. If there are any discrepancies, the Department Head or designee should contact the vendor and resolve the issue before submitting the invoice for payment. When items are sent in multiple shipments, the department should clearly indicate which items have been received and accepted when approving the invoice for payment.

#### Billings

All billings are to be handled through the Finance Director. It is the responsibility of each department to notify the Finance Director of all billings that need to occur.

#### Purchasing Authority

- The City Manager may approve purchases for the amounts outlined in the policy above.
- The City Manager has the authority with the advice and consent of the City attorney to settle property damage claims against the City which are less than \$5,000 and for which the City would appear in the opinion of the City attorney to have partial or total liability providing the claimant signs a release of liability in form approved by the City attorney. Any such claims under \$5,000 which are settled by the City Manager shall be routinely reported to the City Council for informational purposes.
- purchase equipment, replacement and capital items up to the amount approved by the City Council and reflected in budget supplementary information.
- The City Manager has the authority to make payment of accounting and auditor fees not to exceed the amount provided in the budget supplementary information.

#### **BILLING/ACCOUNTS RECEIVABLE COLLECTION POLICY**

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The establishment of a formal Billing/Accounts Receivable Collection policy is an important component of the City's financial policy and management efforts.

- A. The City shall not sell municipal materials (goods or supplies) to third parties unless authorized by the City Manager.
- B. The City reserves the right to require cash payment prior to the sale of any goods or services.



- C. Due diligence will be conducted by City staff for the collection of receivables. Accounts will be considered delinquent upon reaching 30 days beyond the date of the invoice or upon the first day after the due date as per the invoice. Invoices overdue will accrue appropriate penalties as defined by the Clerk/Treasurer and/or the Finance Committee.
- D. Accounts considered for writing-off are those that cannot be collected because of the inability to locate the party owing the City money, the party has filed for bankruptcy, or the expense of collecting the delinquent funds owed to the City exceeds the amount of the delinquency.
- E. Delinquent personal property tax bills that become a year overdue and are determined to be uncollectible by the Clerk/Treasurer will be presented to the Finance Committee and authorization to write-off will be required for any amounts over \$1,000. Delinquent personal property is exempt from any administrative fees or interest charges, as the interest and penalties associated with delinquent personal property taxes are set forth in state statutes.

#### **SEGREGATION OF DUTIES & FINANCIAL CONTROLS POLICY**

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The City has established a system of internal financial controls to carry out its operations in an economical, efficient, effective and orderly manner. The primary objective of the internal control system is appropriate segregation of duties.

- A. Staff who create purchase orders shall not approve those purchase orders. That is, a person independent of the purchase order creation, must approve the purchase order.
- B. Staff who create purchase orders may approve receipt of goods for those purchase orders. However, where a variation to the original purchase order occurs, it must be approved by a person independent of the variation to the order.
- C. Staff who enter accounts payable invoices shall not approve payment of those invoices. A person independent of the invoice entry process must approve invoice payments. Payable checks shall be mailed by a person other than the person who created the checks.
- D. Staff who create accounts receivable invoices may also process credit notes and debt write-offs. However, these transactions are supported by documentation with sign-off authorized delegates, who do not have access to create account receivable invoices.
- E. Staff who create general journals and other system journals shall not approve those journals for posting to the general ledger. The City Manager, who is independent of the journal creation process, shall approve the posting of journals.
- F. Users with access to create accounts receivable invoices have retained access to add or change customer records in the address book. The City understands and recognizes the risk associated with this particular duty.
- G. Staff shall have a preference for system controlled on-line transactional environments with appropriate security and audit trails.
- H. Staff shall have end to end responsibility for any series of financially related transactions to be distributed among two or more staff members or departments.

- I. Non-compliance with established procedures are reported directly to the City Manager and the Finance Committee.
- J. At a minimum, payroll shall be reviewed by the appropriate designee by: Scanning the names of those paid for people who have been terminated or not hired, scanning the amounts paid to people to make sure they look reasonable in amount, and to review hours worked to validate that they are reasonable hours for the person doing the job.
- K. No one individual is to handle a cash transaction from receipt to deposit. If a department is unable to separate the receipt of cash and deposit function due to staffing limitations, a responsible employee independent from these functions (normally a department head or administrative senior employee) must be designated to verify that the total amount received equals the total amount deposited. This should be done daily, but no less than once a week.
- L. All deposits should be made intact; department receipts should never be used to replenish petty cash or other funds.
- M. All security and bid deposits received in negotiable form and escrowed funds or other funds requiring specialized handling should be held in the main vault at City Hall.
- N. The general operating standard for deposit of negotiable funds, cash and checks, to the primary depository shall be within twenty-four hours of receipt of those funds. Departments should weigh reasonableness and practicality versus security in determining the timing for the deposit of smaller amounts. All deposits not made daily should be held in a secured location such as a safe or vault.
- O. Segregation of deposit duties: The Clerk/Treasurer and/or Deputy Treasurer shall have the responsibility for creating all deposits for the City. The actual delivery of the deposits (in a sealed envelope) shall be the responsibility of the Finance Director or their designee.